

Message Text

MRN: 1973BONN 008181 SEGMENT NUMBER: 000001 ERROR READING TEXT INDEX

FILE; TELEGRAM TEXT FOR THIS SEGMENT IS UNAVAILABLE

MRN: 1973BONN 008181 SEGMENT NUMBER: 000002 ERROR READING TEXT INDEX

FILE; TELEGRAM TEXT FOR THIS SEGMENT IS UNAVAILABLE

ADP000

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ACTION EUR-25

INFO OCT-01 EA-11 IO-13 ADP-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 EB-11 FRB-02 H-02 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02

SS-15 STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01

OPIC-12 RSR-01 /202 W

----- 021265

R 071810 Z JUN 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5586

INFO USMISSION GENEVA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY TOKYO

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

USMISSION BERLIN

UNCLAS SECTION 03 OF 04 BONN 08181

DEPT PASS TREAS

PASSING ON DEVALUATION BENEFITS TO PURCHASERS TO A LESSER
EXTENT THAN ORDINARY EXPORTERS. WE HAVE HEARD REPORTS

THAT SOME MNC'S HAVE SHIFTED TO MORE US SOURCING, BUT
FIRMS DOING SO APPEAR TO BE A CLEAR MINORITY, AND THOSE
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REPORTING SHIFTING WERE NOT, APPARENTLY, TALKING ABOUT
LARGE SHIFTS. IN THE AREA OF CONSUMPTION GOODS WE HAVE
HEARD REPORTS TO THE EFFECT THAT US SUBSIDIARIES IN GER-
MANY ARE MEETING MUCH OF THE DEMAND WHICH US EXPORTS
MIGHT OTHERWISE SATISFY. THE EXTENT OF OUR SURVEY DOES
NOT PERMIT A CONCLUSION AS TO WHETHER A PRICE DIFFEREN-
TIAL EXISTS BETWEEN THOSE US- PRODUCED GOODS MARKETED BY
LOCAL SUBSIDIARIES OF US FIRMS AND THOSE IMPORTED FROM
THE US BY GERMAN FIRMS.

11. WE HAVE DEVELOPED LITTLE INFORMATION CONCERNING GER-
MAN- AMERICAN COMPETITION IN THIRD COUNTRY MARKETS BEYOND
THE GENERAL FEELING THAT US EXPORTS WILL BE MORE COM-
PETITIVE. HOWEVER, GERMAN EXPORT PERFORMANCE, WHICH HAS
BEEN NOTHING SHORT OF PHENOMENAL IN THE LAST SIX MONTHS,
WOULD INDICATE THAT TOTAL DEMAND IS INCREASING SO RAPIDLY
AMONG GERMANY'S TRADING PARTNERS THAT THE INCOME EFFECT
HAS MORE THAN SWAMPED WHATEVER PRICE DISADVANTAGE MAY
EXIST. IN OTHER WORDS, THE SIZE OF THE WORLD TRADE PIE
IS GROWING SO FAST THE GERMANS ARE NOT CONCERNED ABOUT
WHETHER OUR SLICE IS OUTGROWING THEIR SLICE. FURTHER, A
RECENT GERMAN CHAMBER OF COMMERCE QUESTIONNAIRE SHOWED
GERMAN FIRMS BELIEVE THEY HAVE MORE LEEWAY TO RAISE
PRICES IN THE FOREIGN MARKET THAN AT HOME. INSTANCES HAVE
ALSO BEEN REPORTED IN WHICH GERMAN IMPORT- EXPORT FIRMS
USE THE PARITY WINDFALL FROM IMPORTS TO KEEP THEIR EX-
PORT PRICES COMPETITIVE, AND WE SHOULD BE AWARE THAT IN-
DUSTRIES SUCH AS STEEL OFTEN BENEFIT AS MUCH, VIA LOWER
COSTS OF RAW MATERIAL IMPORTS, AS THEY SUFFER FROM A
REVALUATION.

12. CONSTITUENT POSTS REPORT GENERALLY THAT, IN THEIR EF-
FORTS TO UNCOVER POSITIVE TRADE PROSPECTS FOR US EXPORT-
ERS, THEY HAVE ENCOUNTERED INCREASING REFERENCES TO THE
INCREASING DESIRABILITY OF INVESTING IN THE US. WE BE-
LIEVE GERMAN DIRECT INVESTMENT IN THE US SHOULD BE ONE
OF THE MAJOR BALANCE OF PAYMENTS BENEFITS DERIVING FROM
DOLLAR DEVALUATION (ESPECIALLY GIVEN THE EVER TIGHTENING
LABOR MARKET AND SPIRALLING LABOR COSTS IN THE FRG AND
THE BOOMING US MARKET) AND RECOMMEND THAT INVEST IN AMER-
ICA PROGRAMS SHOULD RECEIVE EVEN MORE PRIORITY FROM THE
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USG THAN THEY HAVE IN THE PAST. THERE ARE SOME INDICATION

THAT A FEW INVESTORS MAY BE HOLDING OFF ON PLANNED INVESTMENTS IN THE US IN EXPECTATION OF A FURTHER DEVALUATION OF THE DOLLAR, BUT THIS PHENOMENON SHOULD BE SHORT- TERM. (SEE DUSSELDORF A-61)

13. ONE OF THE BRIGHTEST PROSPECTS FOR US " EXPORTS" SHOULD BE INCREASED TOURIST TRAVEL TO THE US. THE INCREASINGLY AFFLUENT GERMANS ARE TRAVELING ABROAD MORE AND MORE EACH YEAR. THE DEVALUED DOLLAR (AND ACCOMPANYING PUBLICITY) SHOULD MAKE THE US A HIGHLY ATTRACTIVE DESTINATION. THERE ARE, HOWEVER, UNCERTAINTIES AND LIMITATIONS REGARDING FUTURE CHARTER REGULATIONS ON THE NORTH ATLANTIC WHICH THUS FAR HAVE MADE IT DIFFICULT FOR GERMAN TRAVEL AGENTS TO PROMOTE TRAVEL TO THE US AS EFFECTIVELY AS MIGHT BE DESIRED. (PLEASE SEE BONN A-1108 DATED DECEMBER 21, 1972).

14. IN CONDUCTING THIS STUDY, CONSTITUENT FIRMS IN GERMANY HAVE UNDERTAKEN A SYSTEMATIC EFFORT, VIA DISTRIBUTED QUESTIONNAIRES AND DIRECT CONTACTS WITH FIRMS, TO IDENTIFY THOSE PRODUCTS FOR WHICH AN EXPECTED OR ACTUAL INCREASE IN SALES CAN BE ATTRIBUTED DIRECTLY TO THE RECENT CURRENCY REALIGNMENT. IN THIS CASE, INCREASES IN SALES MUST BE ATTRIBUTABLE TO DECREASED PRICES IN MARKS (AS DEVALUATION IS PASSED ALONG), OR TO HIGHER PRICES FROM COMPETITORS WHILE THE US EXPORTER IS ABLE TO PREVENT OR REDUCE PRICE RISES. THE GOODS WHICH ARE LISTED ALMOST ENTIRELY REPRESENT CONTACTS WITH IMPORTERS OR DISTRIBUTORS ALREADY ESTABLISHED IN THE GERMAN MARKET. WE HAVE NO WAY OF CONTACTING A REPRESENTATIVE NUMBER OF PROSPECTIVE NEW- TO- MARKET FIRMS OR PRODUCTS. YET, THESE ARE PRECISELY THE FIRMS WHICH STAND TO GAIN THE MOST FROM DEVALUATION, AS GOODS WHICH WERE PRICED OUT OF THE MARKET SUDDENLY BECOME COMPETITIVE. IN THE FINAL ANALYSIS THE GOODS LISTED BELOW MAY BE ONLY THE TIP OF A POTENTIAL ICEBERG. THIS QUESTION SHOULD BE SUBJECTED TO EXTENSIVE, RIGOROUS STUDY. NOTE THAT WE ALSO OMIT THOSE PRODUCTS

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 5587

INFO USMISSION GENEVA

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UNCLAS SECTION 04 OF 04 BONN 08181

DEPT PASS TREAS

WHICH WILL SELL WELL THIS YEAR AND NEXT, BUT FOR
WHICH THE PARITY CHANGES, I. E., PRICES, ARE NOT SIGNIFI-
CANT.

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15. CAPITAL AND INDUSTRIAL EQUIPMENT OR PRODUCTS WHICH
APPEAR TO HAVE BENEFITTED SIGNIFICANTLY FROM THE PARITY
REALIGNMENTS INCLUDE:

A) A WIDE VARIETY OF PRODUCTS IN THE PACKING AND PACKING
MACHINERY AND MATERIALS LINE (WRAPPING MACHINES, STAPLERS
STELL BAND STRAPPING MACHINES, ETC.);

B) BUSINESS MACHINES AND SYSTEMS AND EDP AND RELATED E-
QUIPMENT: US MEDIUM SIZED COMPUTORS ARE CONSIDERED
VERY COMPETITIVE NOW, ALTHOUGH COMPETITION HERE TAKES
PLACE LARGELY BETWEEN US MANUFACTURERS; DATA TRANSMISSION
AND TELEX EQUIPMENT WILL DO WELL;

C) TOTAL INSTRUMENTATION -- A WIDE VARIETY OF ELECTRICAL MEASURING AND TESTING EQUIPMENT, AS WELL AS ANALYTICAL AND LABORATORY EQUIPMENT -- 12 IMPORTERS, REPRESENT-

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*** Current Classification *** UNCLASSIFIED

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EC BRUSSELS
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ROME
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